



Gray Davis, Governor
State of California
Business, Transportation and Housing Agency

Department of Managed Health Care
Headquarters Address:
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November 1, 2002

IN REPLY REFER TO
FILE NO.: Alpha
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To: All Full Service Health Plans and Applicants for Licensure

From: Laurie Dods, Chief Los Angeles Branch, DMHC

Re: AB 1401; MRMIP Graduate Product Filing Requirements

In September, Governor Gray Davis signed into law AB 1401 (Thomson), which enhances access to health care coverage in the individual market by expanding Cal-COBRA and COBRA coverage requirements and creating a guaranteed issue Major Risk Medical Insurance Program ("MRMIP") "graduate" product, which will become effective September 1, 2003.

AB 1401 imposes certain timeframes and filing requirements which require Knox-Keene licensed full service health care plans and the Department of Managed Health Care ("Department") to undertake specified activities well in advance of September 1, 2003, the date plans will commence the provision of services to MRMIP graduate enrollees. The Department has been working closely with the Managed Risk Medical Insurance Board ("MRMIB") and the Department of Insurance ("DOI") to coordinate implementation of the bill. DOI separately will provide guidance to health insurers regarding compliance with AB 1401. **Please, note, this memo is an updated version of the memo handed out to all plans that attended the AB 1401 Workshop held at the Department's office in Sacramento on October 24, 2002.**

In order to provide the earliest possible communication with the plans, this memo will address the anticipated DMHC filing process to facilitate plan compliance. Please note that this memo is intended to focus principally on the MRMIP graduate product offering requirements. The Department will provide Plans with separate information regarding compliance with the COBRA/Cal-COBRA extension and conversion product requirements in AB 1401 shortly.

Matrix Information Filing

Section 1363.06 requires the Department and DOI to jointly prepare two comparative benefits matrices to enable enrollees to more easily compare benefit packages in the individual market. One matrix will compare individual conversion and HIPAA products offered by plans. The other matrix will compare all MRMIB graduate products offered pursuant to Section 1373.62.

The Department will provide plans with both template matrices prepared jointly with DOI and plans will be required to file benefit information to complete the templates. As noted, information regarding the conversion/HIPAA matrix and filing will follow separately from the Department. For the MRMIP graduate product matrix, the Department anticipates providing information on current participating plans by early November to assist plans in preparing required filings pursuant to Section 1363.06(d)

In accordance with Section 1363.06(d), plans should submit information for inclusion in the matrices in the form of an amendment filing (to be updated annually) **no later than January 31, 2003.**

If a plan determines that is not required to participate in either or both the MRMIP graduate product or the Conversion/HIPAA product as described in AB 1401, the Plan is still required to file an amendment as indicated above no later than January 31, 2003 that sets forth the basis for its determination of inapplicability of one or both of the products (e.g., MRMIB graduate product does not apply because plan is not currently in the individual market in California; Section 1373.62). If a plan is required to participate in only one of the products, then please complete and file the template for that product.

Notice of Material Modification

Section 1373.62 identifies the nature of the MRMIP graduate product to be offered by plans in the individual market to former MRMIP high risk enrollees once they are no longer eligible to receive services under the MRMIP program. According to this section, prior to offering the graduate product, plans must file a notice of material modification ("Notice") pursuant to Section 1352. Additionally, prior to contract renewal, plans will be required to submit amendment or material modification filings. The bill specifies that amendment filings will also be required upon changes to a plan's participation in the graduate program.

The Department has determined that in order to meet MRMIB enrollee notice periods and to afford the Department sufficient review time, material modification filings must be submitted **no later than March 1, 2003.** It is anticipated that review of the filings will be complete between June 1, 2003 and September 15, 2003.

The Department has set forth below items to be included in the Notice filing. As noted, plans are encouraged to submit representations where applicable regarding several program areas. In the

event that the representations do not apply to the plan's proposed operations with respect to the MRMIP graduate product, see filing requirements outlined below under each exhibit.

Exhibit E: Summary of Information

Plans should file a narrative description of the filing, including a summary of changes to existing operations implemented to accommodate the new enrollment. This exhibit should contain a list of all exhibits to which no change is necessary as a result of the implementation of the MRMIP graduate product.

Additionally, please include the following information:

- Identify the selected standard benefit plan from those plans participating in the MRMIP (plans should list the name of the plan in the MRMIP that is currently offering the selected standard benefit plan as well as the benefit design if more than one exists for the plan selected). Similarly, plans already participating in the MRMIP should note which of their MRMIP products will be offered to graduates (if more than one option is offered currently).
- Identify the geographic areas statewide where the plan currently offers an individual product and will offer the graduate product. In counties where the plan's participation in the individual market is limited to a subset of the county, please list all zip codes where the plan is approved to offer an individual product.
- If the projected enrollment will not exceed 5% of the total current enrollment of the plan, then please so represent in the amendment filing. In the event that the new enrollment is projected to be greater than 5%, please see filing information below under Exhibit HH.
- If applicable, plans may file a representation to indicate that the plan will rely on a contracted network of providers for the MRMIP graduate program that has been previously submitted to and approved by the Department. The plan will be required to identify the nature of the previous product filing and the date and form of approval. In connection with this item, the plan should include a statement regarding the adequacy of the provider network to provide available and accessible services to the projected MRMIP graduate product enrollment.
- The plan may provide a representation that the systems in place to monitor the quality of care, access to care and continuity of care that were previously approved by the DMHC are adequate and will extend to enrollees in the MRMIP graduate product.
- The Plan may represent that the previously approved grievance system, that complies with Section 1368, *et seq.* and Rule 1300.68 will encompass the graduate product.
- If applicable, plans should indicate that no changes to the plan's organizational structure and staffing requirements will be required in order to accommodate the projected new enrollment.
- If applicable, the plan should represent that no changes to previously approved provider contracts are required as a result of AB 1401 implementation.

Exhibit H: Geographical Area Served

Information pursuant to this exhibit should be submitted only if the plan will rely on a network that differs from a provider network previously submitted and approved by the Department. If a new network will be utilized or new providers have been added to a previously approved network, please submit maps depicting the location of providers pursuant to Rule 1300.51(x) H.

Exhibit I: Description of Healthcare Arrangements

Again, plans need only submit Exhibit I provider information in the event that the plan will utilize for the MRMIP graduate product a network of providers not previously filed with and approved by the Department.

Exhibit J: Internal Quality of Care Review System

Plans should submit any changes to the previously approved quality of care monitoring system implemented in conjunction with the offering of the new product.

Exhibit K: Provider Contracts

Any changes to the plan's previously approved provider contracts should be submitted as Exhibit K-1. Pursuant to Rule 1300.51(d) K-3 any new provider compensation information and execution pages for any new providers should be marked confidential in the electronic filing.

Exhibits L and M: Organizational Documents

Plans need only submit these exhibits to the extent that previously submitted and approved organization information requires alteration in order to accommodate the MRMIP graduate product.

Exhibit N: Contracts for Administrative Services

Plans should file any new or revised administrative services agreements.

Exhibits S, T and U: Enrollee Evidence of Coverage and Disclosure Materials

All plans will be required to submit subscriber materials for use with the MRMIP graduate products. In order to facilitate review, the Department requests that plans identify whether they will utilize a form of EOC as the basis for the MRMIP graduate product that has previously been reviewed and approved by the Department. That document will then need to be redlined to show changes as a result of the plan's participation in the graduate program (for example changes to reflect the standard benefit plan of the health care service plan participating in the MRMIP high risk product, changes to reflect the lifetime and annual maximum benefits, etc.). Please submit Exhibits S-2, T-2 and U-2 for the subscriber documents.

Exhibit V: Advertising

All proposed advertising materials not previously filed should be submitted to the Department's advertising desk pursuant to Rule 1300.51(d)(V).

Exhibit W: Enrollee/Subscriber Grievance Procedures

Any changes to the plan's previously approved grievance system to accommodate the new enrollment should be submitted.

Exhibit DD: Enrollment Projections

Plans should submit enrollment projections for the first two years that the graduate product will be offered.

Exhibit HH: Projected Financial Viability

Plans should submit enrollment projections for the first two years that the graduate product will be offered. If the increase in enrollment is anticipated to be greater than 5% of the current enrollment of the plan, the plan should file financial projections, accompanied by the underlying assumptions, for a period of two years. The projections should be prepared on a monthly basis for the first year, and on a quarterly basis for the second year. The projections should separately identify projected revenues and projected expenses related to the MRMIP graduate product offering.

Please note that any plan that intends to commence initial participation in the MRMIP high risk program for the coming contract term should contact the Department as soon as possible regarding possible additional filing requirements.

Should you have any questions regarding this advisory or the general filing process related to AB 1401, you may contact Supervising Counsel, Laurie Dods at (213) 576-7572 or Senior Counsel, Steven Goby at (213) 576-7580.